



City of Torrance

**Water Rate Public Hearing
City Council Meeting February 15, 2011
Item 13 B**

Current Situation

- No Internal Rate Increase Since 1995
- Only Increases-Pass Through Adjustments to Offset Higher Water Supply Costs
- High Dependence on Expensive Imported Water
- Require Increased Revenues to fund Capital Improvement Program
- Continuing Decline in Water Sales

Water Rate Development Process

- Step 1 – Financial Planning
- Step 2- Establish Cost of Service
- Step 3- Rate Design and Rate Structure

Revenue Requirement Study

- Based on Cost of Service to meet Proposition 218 Requirements
- Maintains both Fixed Meter Charge Variable Quantity Usage Charge
- Assessed Over 25 Rate Scenarios
- Lowest Rate Impact to Meet Needs

Water Revenue Recommendations

Five Year Revenue Requirement Adjustment Proposal 2011-15

Reflects Overall System Adjustment

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Internal Increase	6.5 %	6.5%	CPI	CPI	CPI
Pass Through (Water Cost)	4 %	TBD	TBD	TBD	TBD

- Adjustments to Meter Charge based on Cost of Service (COS)
- Conservation Based Tiered Rate Structure
- Revise Pass-Through Mechanism in accordance with Rate Model

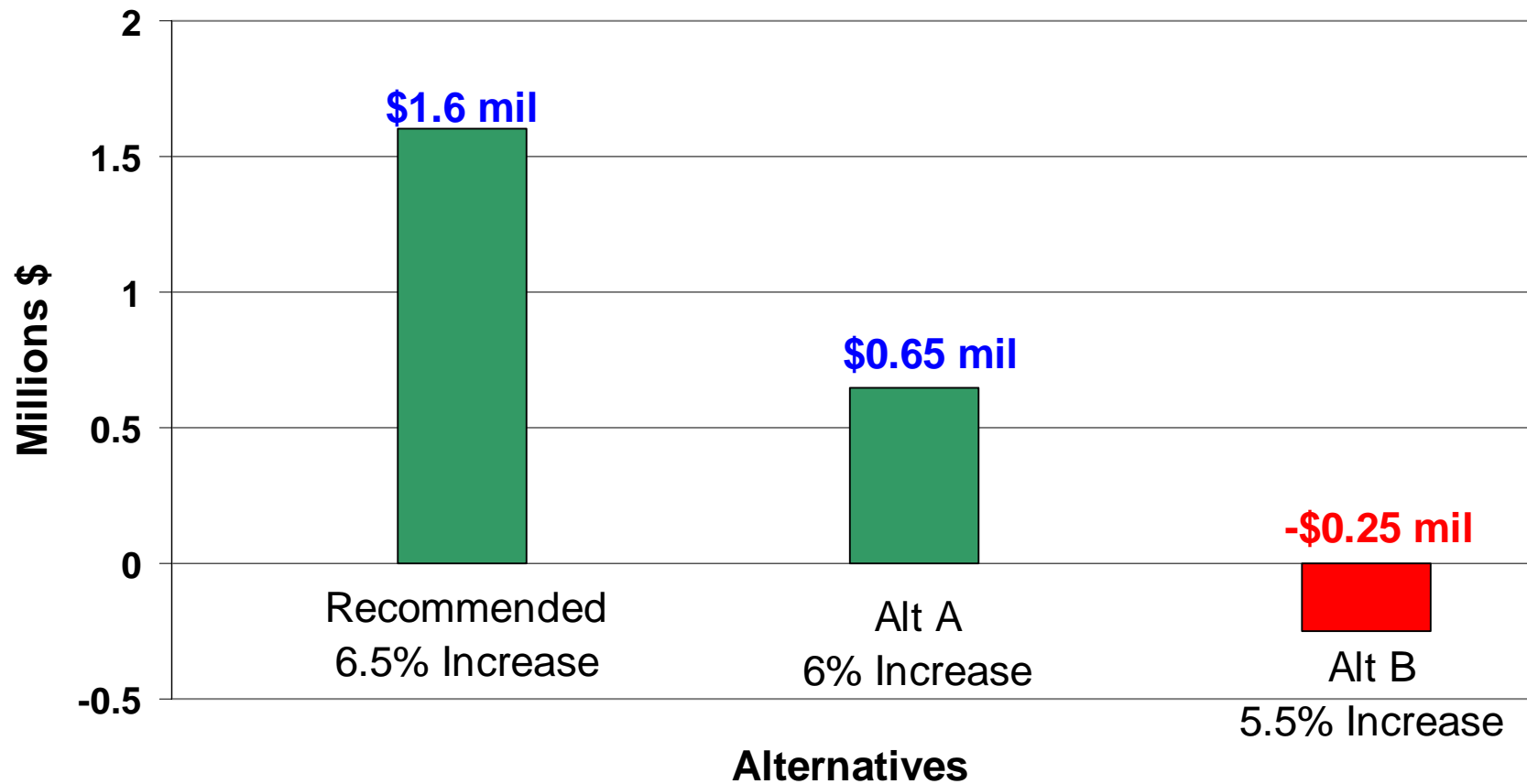
Proposed 2011 Rates

(1st year 6.5% Internal Increase + 4% Pass-Through)

Single Family	Monthly Use ccf	Current Commodity \$ 2.655/ccf	Proposed Internal \$ ccf	Pass Through \$/ccf	Total Proposed \$/ccf
Tier 1	8		\$ 2.33	\$ 0.12	\$ 2.45
Tier 2	14		\$ 2.92	\$ 0.12	\$ 3.04
Tier 3	24		\$ 3.64	\$ 0.12	\$ 3.76
Tier 4	25 and Over		\$ 4.52	\$0.12	\$ 4.64
Other Customers					
Tier 1	10		\$ 2.33	\$ 0.12	\$ 2.45
Tier 2	11 and Over		\$ 2.97	\$0.12	\$ 3.09

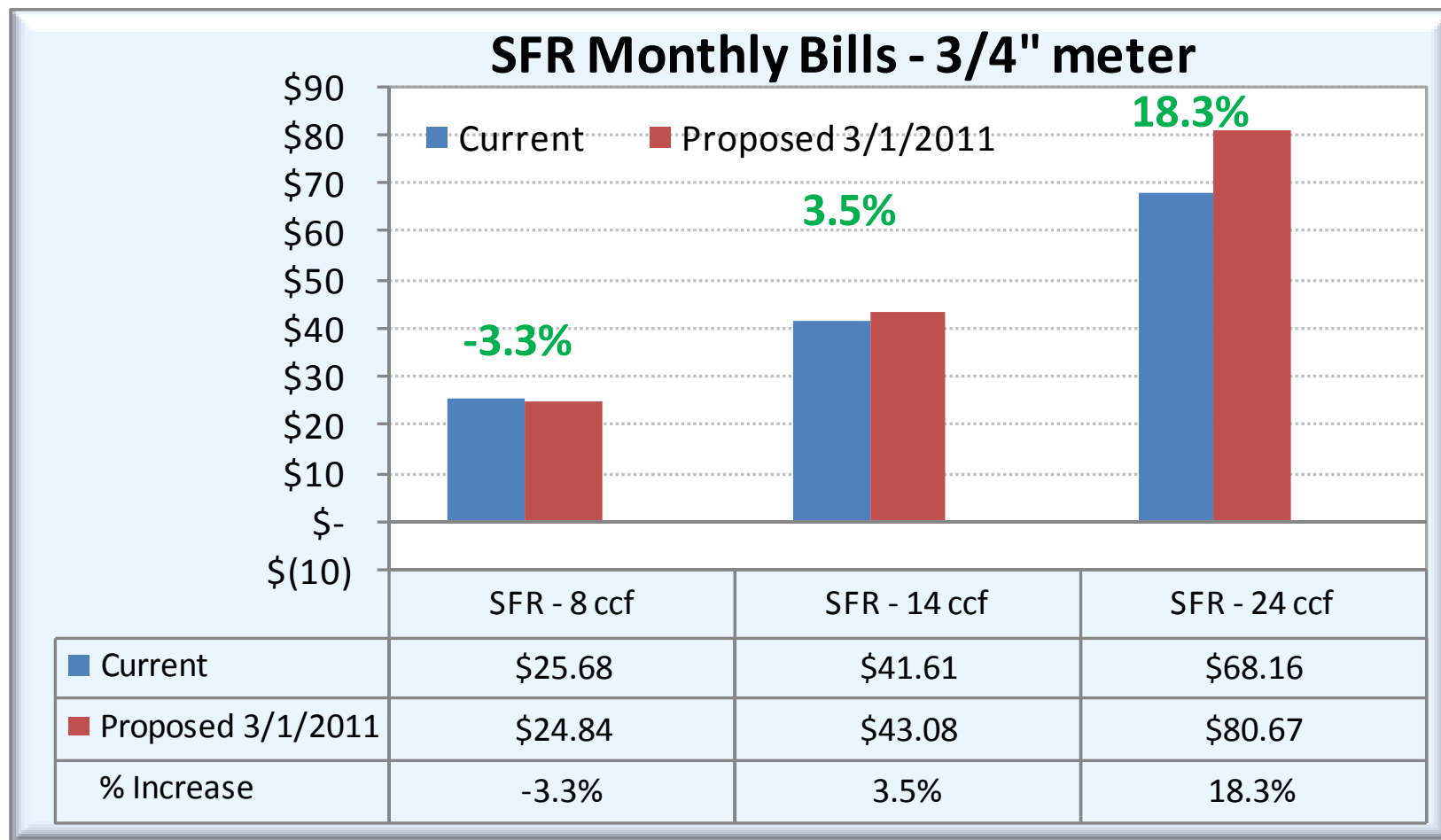
***Low Income Senior/Disabled Discount Rate Remains in Effect**

Reserves in 2015 with Alternative Revenue Adjustments



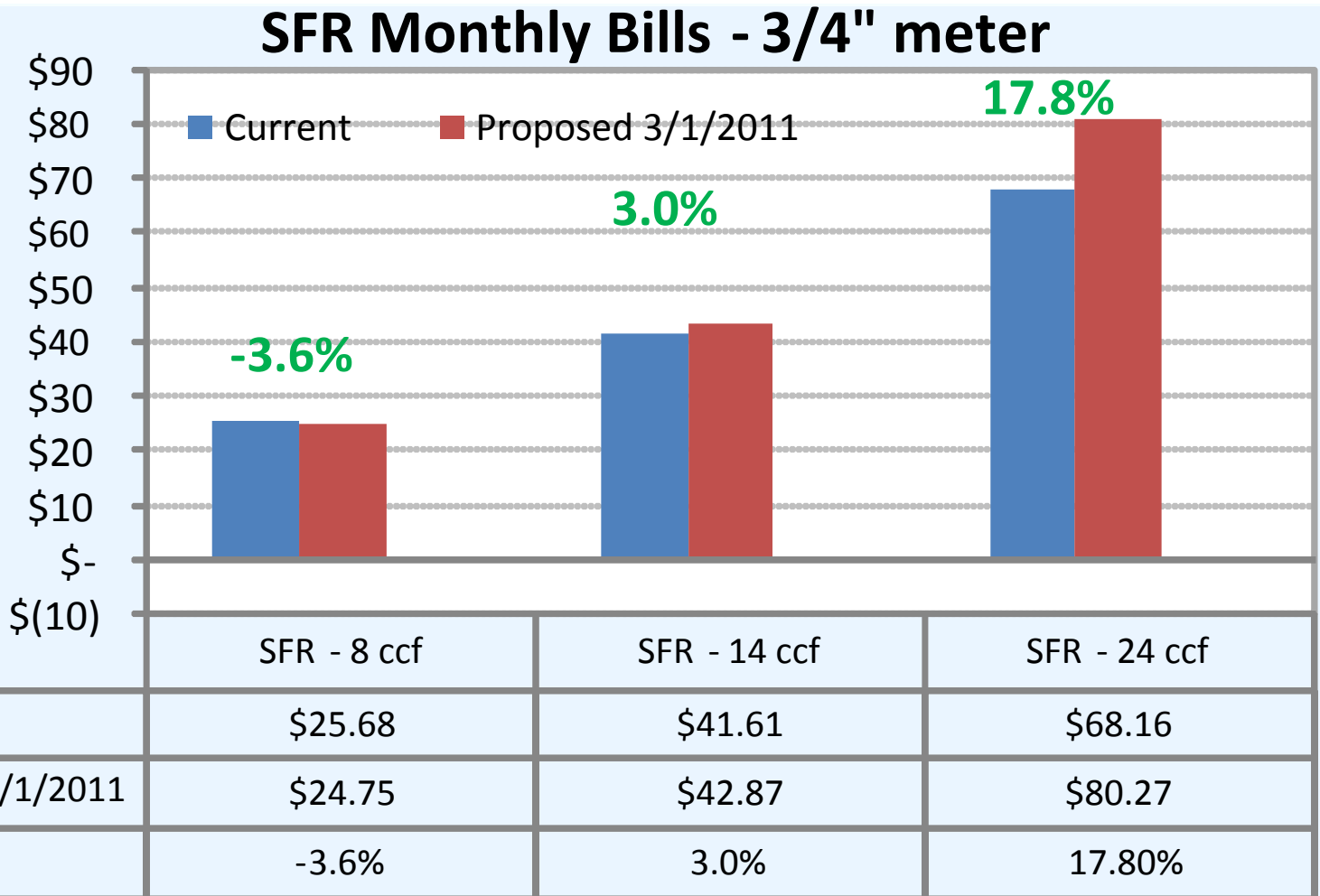
Single Family Residence Monthly Bills

Recommended 6.5%



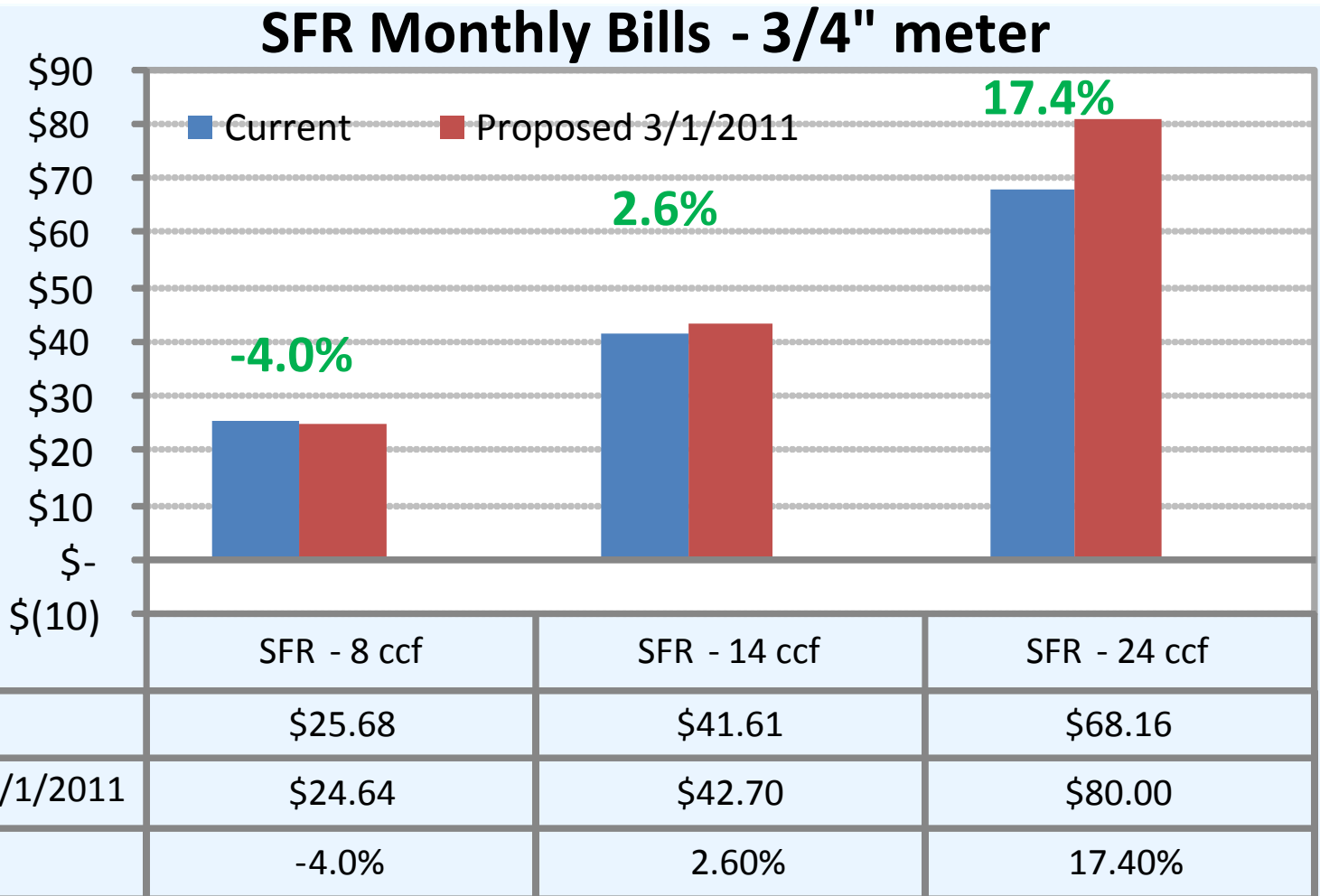
Includes Pass Through Adjustment

Single Family Residence Monthly Bills - Alt A-6%



Includes Pass Through Adjustment

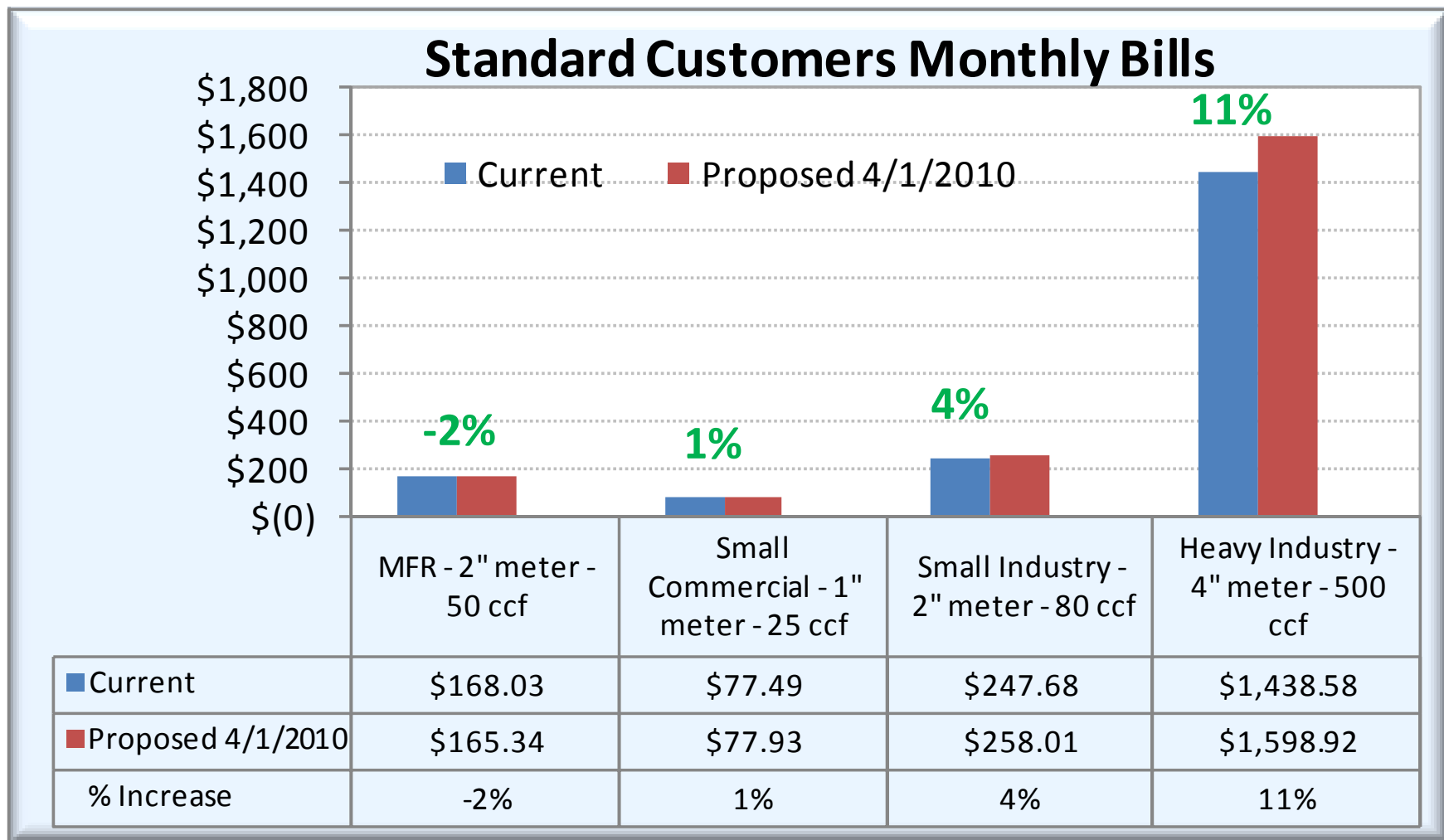
Single Family Residence Monthly Bills - Alt B-5.5%



Includes Pass Through Adjustment

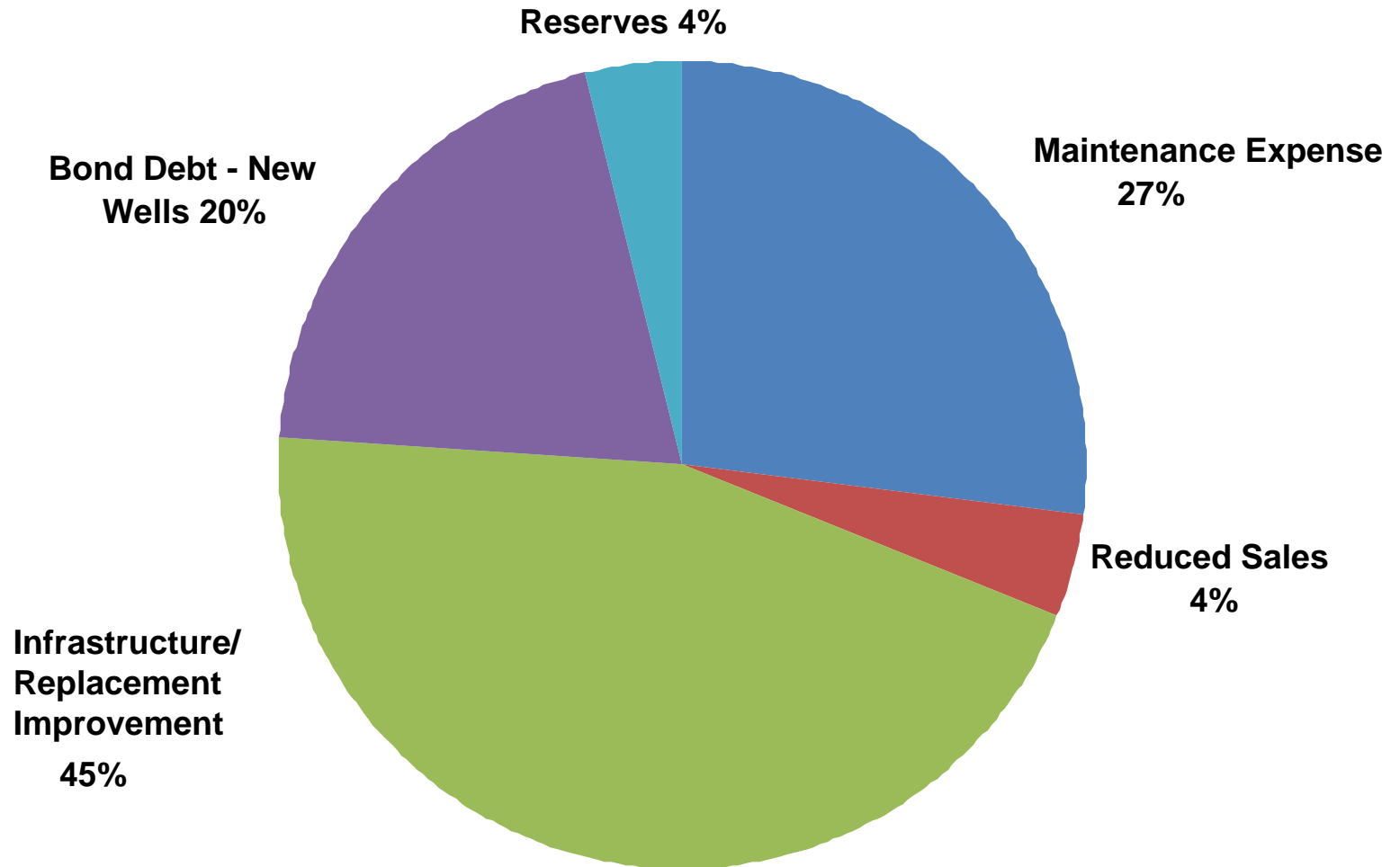
Standard Customers Monthly Bills

Recommended 6.5%



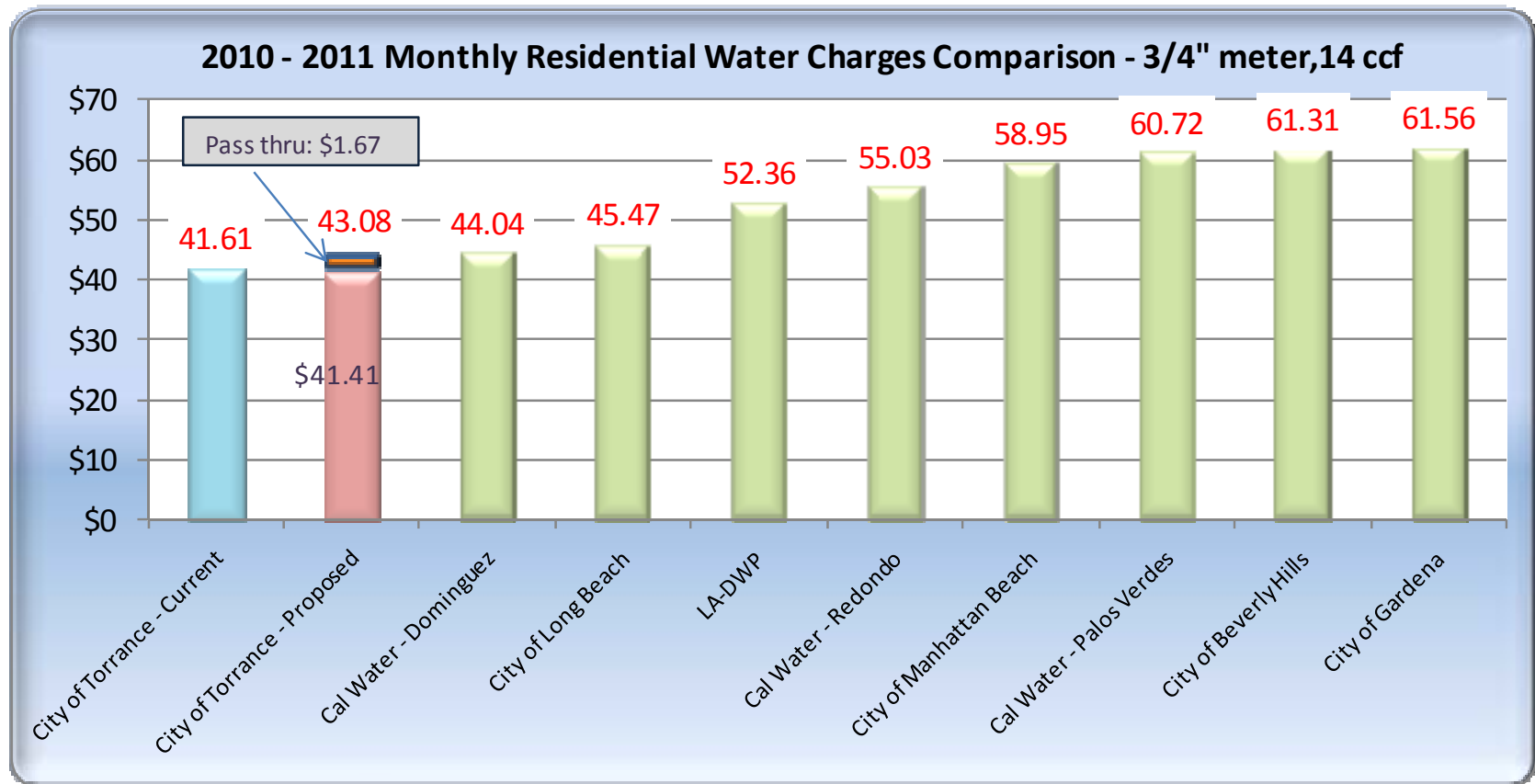
Includes Pass Through Adjustment

Allocation of Internal Rate Increase

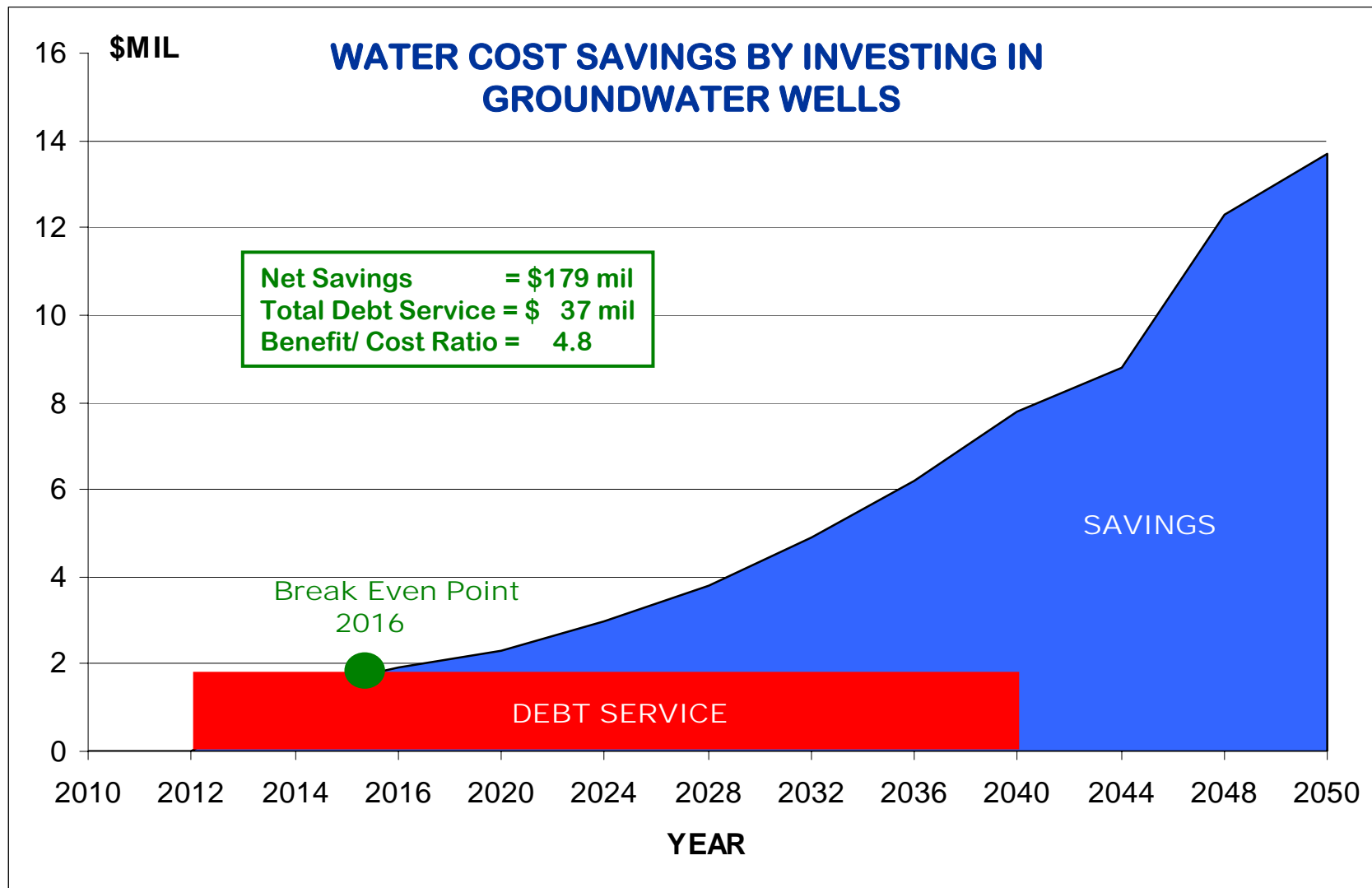


Comparison of Water Rate Charges

(Proposed Effective 3-1-11)



* City of Torrance Proposed Rates are based on 6.5% internal and pass through increase



Proposition 218 Process

- 26,400 Notices Mailed to all TMW Customers in December
- Protest Form Included in Notification
- Received 1,800 Protests (%)
- If Council Approves, New Rates Effective 3-1-11

Commission and TMW Recommendations

- Recommend Implementation of Internal Revenue Increases
- Adopt Conservation Rate Structure
- Adopt Revised Meter Charges
- Adopt Revised Pass Through Method
- Maintain Senior/Disabled Low Income Discount
- Effective Date of 3-1-11